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Agricultural Cooperative Formation:

Iowa



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Section 499.6 – Purposes

A cooperative association may be organized under this chapter for any lawful purpose or purposes.

Section 499.7 – Powers

Except as expressly limited in its articles, each association has the following powers:

1. To conduct business, carry on operations, establish and operate offices, and exercise all powers granted by this chapter in or outside this state.
2. To borrow any amounts of money, and give any form of obligation or security therefor.
3. To make advances to patrons or members, or members of member-associations, and take any form of obligation or security therefor.
4. To acquire, hold, transfer or pledge any obligation or security representing funds actually advanced or used for any cooperative activity; or stock, memberships, bonds or obligations of any cooperative organization dealing in any product handled by the association, or any by-product thereof.
5. To make any contract, endorsement or guaranty it deems desirable incident to its transfer or pledge of any obligation or security.
6. To acquire, own or dispose of any real or personal property deemed convenient for its business, including patents, trademarks and copyrights.
7. To exercise any power, right or privilege suitable or necessary for, or incident to, promoting or accomplishing any of its powers, purposes or activities, or granted to ordinary corporations, save such as are inconsistent with this chapter.
8. To exercise any of its powers anywhere. No association organized under this chapter shall engage in the business of banking.

Section 499.40 – Articles



Articles of incorporation must be signed and acknowledged by each incorporator. They may deal with any fiscal or internal affair of the association or any subject hereof in any manner not inconsistent with this chapter. All articles must state in the English language:

1. The name of the association, which must include the word “cooperative”; and the address of its principal office.
2. The purposes for which it is formed, and a statement that it is organized under this chapter.
3. Its duration, which may be perpetual.
4. The name, occupation and post office address of each incorporator.
5. The following information regarding the directors:
 - a. Their number.
 - b. Whether there is a fixed number or a variable range as provided in section 499.36. If a variable range is established, the information shall include the minimum and maximum number.
 - c. Their qualifications.
 - d. Their terms of office.
 - e. How they shall be chosen and removed from office.
6. Who are eligible for membership, how members shall be admitted and membership lost, how earnings shall be distributed among members, how assets shall be distributed in liquidation, and, in addition, either:
 - a. That the association shall have capital stock; the classes, par value and authorized number of shares of each class thereof; how shares shall be issued and paid for; and what rights, limitations, conditions and restrictions pertain to the stock, which shall be alike as to all stock of the same class; or
 - b. That the association shall have no capital stock, and what limitations, conditions, restrictions and rights pertain to membership; and if the rights are unequal, the rules respecting them shall be specifically stated.
7. The date of the first regular meeting of members.
8. The name and street address of the association’s initial registered agent.

Section 499.46 – Bylaws

The directors, by a vote of seventy-five percent of the directors, may adopt, alter, amend, or repeal bylaws for the association, which shall remain in force until altered, amended, or repealed by a vote of seventy-five percent of the members present or represented having voting privileges, at any annual meeting or special meeting of the membership, provided that at least ten days’ prior written notice of the impending membership vote has been mailed to all members of the association with a copy or summary of the proposed adoption, alteration, amendment, or repeal of the bylaws. Proposals by members to adopt, alter, amend, or repeal bylaws by vote of the membership shall be presented to the association’s registered office for mailing to the membership by the association at least twenty days prior to the meeting at which the proposed change is to be considered. Bylaws shall be kept by the secretary subject to inspection by any member at any time.



Bylaws may deal with the fiscal or internal affairs of the association or any subject of this chapter in any manner not inconsistent with this chapter or the articles.

Section 499.36 – Directors

1. The affairs of each association shall be managed by a board of directors.
2. a. A director must be a member of the association or an officer or a member of a member-association. A director shall be elected by the members as prescribed by the association's articles of incorporation.
 - b. At least five directors shall serve on the association's board. The number of directors shall be established in accordance with the association's articles of incorporation or bylaws. If a board has the power to fix or change the number of directors, the board may increase or decrease by thirty percent or less the number of directors last approved by the members. Only the members may increase or decrease by more than thirty percent the number of directors last approved by the members.
 - c. The articles of incorporation may establish a variable range for the size of the board by fixing a minimum and maximum number of directors. If a variable range is established, the number of directors may be fixed or changed from time to time, within the minimum and maximum number, by the members or the board. After shares are issued, only the members may change the range for the size of the board, change from a fixed to a variable-range-size board, or change from a variable-size to a fixed-size board.
3. a. Unless the articles or bylaws otherwise provide, if a vacancy occurs on the board, including a vacancy resulting from an increase in the number of directors, the vacancy may be filled by any of the following:
 - (1) The shareholders.
 - (2) The board.
 - (3) If the directors remaining in office constitute fewer than a quorum of the board, the directors may fill the vacancy by the affirmative vote of all the directors remaining in office.
- b. A vacancy that will occur at a specific later date, by reason of a resignation effective at a later date, may be filled before the vacancy occurs. The new director shall not take office until the vacancy occurs.
4. The articles or bylaws may permit the directors to select an executive committee from their own number; and may prescribe its authority, which may be coextensive with that of the whole board.
5. Directors shall be elected by districts, if the articles specify the districts, the number of directors from each district, the manner of nomination, redistricting, or reapportionment, and whether directors are to be directly elected by the members or by delegates chosen by them. Districts shall be



formed and redistricting shall be ordered, from time to time, so that the districts contain as nearly as possible an equal number of members. The bylaws shall describe the district boundaries currently in effect.

6. Unless the articles of incorporation or bylaws provide otherwise, the board of directors may permit any or all directors to participate in a regular or special meeting through the use of any means of communication by which all directors participating are able to simultaneously hear each other during the meeting. A director participating in a meeting pursuant to this subsection is deemed to be present in person at the meeting.

7. Unless the articles of incorporation or bylaws provide otherwise, an action required or permitted by this chapter to be taken at a board of directors' meeting may be taken without a meeting if the action is taken by all members of the board. The action must be evidenced by one or more written consents describing the action taken, signed by each director, and filed with the corporate records reflecting the action taken. An action taken under this subsection is effective when the last director signs the consent, unless the consent specifies a different effective date. A consent signed under this subsection is deemed to have the same effect as a meeting vote and may be described as such in any document.

Section 499.37 – Officers

1. The board of directors of the association shall select the association's officers as provided in its articles of incorporation or bylaws, and shall fill vacancies in such offices. The articles of incorporation or bylaws shall delegate to an officer the responsibility for all of the following:

- a. Preparing minutes of meetings of the directors and the shareholders.
- b. Authenticating the association's records.

2. Unless the association's articles of incorporation or bylaws otherwise provide, the association's officers shall serve for annual terms beginning at the close of the first regular meeting of members in each year.

Section 499.13 – Membership; Eligibility

A membership or share of common stock shall not be issued to, or held by, any person unless the person is eligible for membership in the association under its articles. A person may be eligible only if the person is engaged in producing a product marketed by the association, the person customarily consumes or uses the supplies or commodities that the association handles, or the person uses the services that the association renders. A farm tenant or landlord who receives a share of agricultural products as rent may be eligible for membership in an agricultural association as a producer. A cooperative association engaged in any directly or indirectly related activity may be eligible for membership. An association may be formed which includes among its members cooperative associations or restricts its membership to cooperative associations.



Section 499.15 – Certificates of Membership or Stock

The association may issue certificates of membership or stock, each of which states the fixed dividend, if any, and the restrictions or limitations upon its ownership, voting, transfer, redemption, or cancellation.

Section 499.22 – Capital Stock

An association with capital stock may divide the shares into common and preferred stock. Par value stock shall not be issued for less than par. The general corporation laws shall govern the consideration for which no-par stock is issued. If the articles so provide, common stock may be issued in two classes, voting and nonvoting. Voting stock shall be issued to all agricultural producers and nonvoting stock to all other members. Voting stock or nonvoting stock may be issued to a cooperative association as provided in the articles of incorporation of the association issuing the stock. Nonvoting stock shall have all privileges of membership except the right to vote. Preferred stock held by nonmembers shall not exceed in amount that held by members.

